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CURRENT SUPPORT MEMORANDUM

SZECHWAN OIL TO BE TRANSPORTED ON YANGTZE

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SZECWAN OIL TO BE TRANSPORTED ON YANGTZE

Last spring the Chinese Communists announced the discovery of a major oil field in central Szechwan Province. In view of the recent nature of this discovery it is unlikely that they have yet gotten a clear idea of the extent of the field's reserves. They have, however, claimed that reserves in Szechwan are about the same as those at Karamai in Sinkiang Province where the Chinese Communists have estimated reserves at 100,000,000 tons. Peiping has indicated that it will extract at least 100,000 tons of crude oil from the Szechwan fields in 1958 and 1,000,000 tons next year. Production at these levels is not considered likely, but it is evident that the regime intends to expend considerable money and energy on opening up the field.

One of the principal advantages of the field--should it measure up to Peiping's expectation--lies in its location which makes possible water transportation downstream on the Chialing and Yangtze Rivers all the way from the fields to the industrial region of the lower Yangtze valley. There the refinery at Shanghai is reportedly being enlarged to handle around 1,000,000 tons of crude oil a year, while a 3,000,000-ton refinery is scheduled to be built in Nanking. 1/

Communist China has already begun to attack the problem of transporting Szechwan crude oil down the Yangtze and has made plans to move 100,000 tons this year 2/, and 1,000,000 tons next year. 3/ Current efforts seem to be directed primarily to:

1. Dredging of the channel of the Chialing River to a minimum depth of 1.3 meters. 4/
2. Conversion of a large number of existing vessels for hauling petroleum products. 5/
3. Construction of powerful tugs, and 1,500-ton petroleum barges. 6/

Progress has been noted in carrying out these programs. The dredging of the Chialing River is underway and has apparently received considerable priority. 7/ Four tugs of 2,000 horsepower were well on the way to completion in June of this year. 8/ Plans call for the building of 13 such tugs and 62 barges of 1,500 tons each by early 1959. 9/ A number of smaller tugs have already been assigned to the transportation of petroleum from Nanchung to Chungking. Attempts have been made to convert existing cargo barges into petroleum barges. 10/ The conversion has not been an unqualified success, requiring more changes than had been anticipated; however, plans call for the modification of 30 such barges by early 1959.

Congestion has been reported on the Yangtze this summer, but the addition of 100,000 tons of petroleum to the total 1958 shipping load would represent less than one percent of the volume to be moved this year and would not pose too great a problem. The 1,000,000 tons scheduled for 1959 movement would represent about six to eight percent of the 1958 shipping volume on the Yangtze and would require considerable investment. It seems likely that the Chinese would be able to transport 1,000,000 tons of Szechwan crude oil--if it were available--down the Yangtze in 1959, but such an increase would place

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an added strain on already crowded ports of the middle and lower Yangtze. The Chinese have also announced the construction of a railroad from the Szechwan oil fields to Pukow, opposite Nanking, 11/ but it cannot be expected to carry any appreciable load before late 1963, and even then would be unable to carry all of the anticipated production from Szechwan to refining centers.

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Analyst:

Coord :

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